

New Hampshire Department of Revenue Administration

Fiscal Note Quick Guide

15-0809

HB 680-FN-LOCAL, *relative to establishing the rate for and the collection of the education property tax and establishing a homestead exemption from the education property tax*

House Ways and Means Committee

This bill provides for the collection of the State Education Property Tax by the Department of Revenue Administration. The amount of revenue generated in each city and town by the current State Education Property Tax is collected locally and retained locally, and said amount is deducted in the adequacy calculations (see RSA 198). Section 3 of the bill eliminates the deduction for locally collected and retained state taxes.

There is no reliable means to estimate the increased costs to build and administer state level property taxation. But, the Department estimates that there would be an indeterminable increase in the expenditures at the state level due to the need to create extensive computer systems to manage and correlate locally assessed values, undertake a direct equalization of local assessments, receive and process hundreds of thousands of homestead applications, and bill taxes to approximately 685,000 properties twice a year, and establish and manage appeals of locally determined assessments.

Local expenditures will be impacted by the need for very close integration of local assessment information.

The Department is unable to determine if the \$8.00 tax rate as applied against the equalized assessed values net of the homestead exemptions would generate more or less than the current \$363,000,000.

The Department notes several technical or mechanical issues with the bill as drafted. The proposal does not eliminate the Low and Moderate Income Homeowners Property Tax Relief program (See RSA 198:57). The proposed provision of RSA 76:3, II, directing the Commissioner to determine the state portion of the education tax semi-annually beginning on July 1 is inconsistent with current law. Chapter RSA 76 authorizes cities and towns to adopt semi-annual or quarterly tax billing in place of the annual collection that is inherent in the law.

Proposed RSA 76:3, II requires the Commissioner to collect the tax year State Education Tax in a manner that is inconsistent with existing law. Payments due July 1 in communities that have adopted semi-annual collection (RSA 76:15-a) are a partial payment based on the prior year's assessment multiplied by ½ the prior year's tax rate. No technical means exists to collect the July 1 payment in a town that has not adopted the semi-annual collection of taxes, or those that have adopted quarterly billing.

Local assessments are not completed in time to make the July 1 billing based on the current tax year values. Warrants for semi-annual collection must be committed to the tax collector no later than May 15, a mere 6 weeks after the effective taxing date of April 1. Municipalities are required to file tax year final valuations by September 1, and not before. As a practical matter, many communities are not fully completed with their valuations by the deadline, and ask for and receive an extension of that filing.

Communities do not use the provisions of RSA 80:26 referenced in RSA 76:3,V. To the Department's knowledge all cities and towns have adopted the optional procedure for tax liens pursuant to RSA 80:59. This collection section of the legislation does not specify what process the State Treasurer would use to determine to purchase a property. This section imposes significant burdens on the Commissioner in the processing of liens, deeding property, etc.

The proposed provisions of RSA 76:3, VI, provides for a bifurcated process on appeal, and could result in a significant increase of appeals to the Board of Tax and Land Appeals and the superior court, as there are no provisions for valuation appeals at the local level. The law is silent about what happens to the education tax portion if a value appeal is granted on the municipal assessment, and conversely, what happens to the local taxes if the state grants abatement.

The taxes collected by the State under this bill will not include local elderly exemptions pursuant to RSA 72:39-b, disability exemptions pursuant to RSA 72:37-b, solar exemptions under RSA 72:62, wind power exemptions under RSA 72:66, and wood heating systems under RSA 72:69. This would create a significant departure from the total assessed value for many properties, and a two-bill system to compensate for the difference.

The state education tax cannot be deferred pursuant to RSA 72:38-a under this type of billing.